

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State
			ZIP Code
Accountant Signature		Date	
Abraham & Gellray, P.C. Aaron M. Stearns			

**Bath Charter Township  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2004**

Bath Charter Township  
Clinton County, Michigan  
December 31, 2004

BOARD OF TRUSTEES AND ADMINISTRATION

Lynwood McGonigal	Supervisor
Kathleen McQueen	Clerk
Steve Wiswasser	Treasurer
Clark Losey	Trustee
Roni Christmas	Trustee
Joel Gutzki	Trustee
Adam Stacey	Trustee
Mark Ritter	Superintendent

Bath Charter Township

TABLE OF CONTENTS

December 31, 2004

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11-12
Statement of Net Assets - Fiduciary Funds	13
Notes to Financial Statements	14-28
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	29-31
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	32-33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	34-35
Combining Statement of Fiduciary Assets and Liabilities	36

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Bath Charter Township  
Bath, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bath Charter Township's basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 25, 2005

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

**New Financial Reporting**

Starting with fiscal year 2004, Bath Charter Township, Michigan (the "Township") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Township. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Township's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Township's financial health.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2004:

- State shared revenue, our second largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$51,300 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues increased approximately \$210,761 from the prior year. The increase is the net result of an increase in the true cash value of real and personal properties in the Township.
- The Township incurred legal costs associated with zoning enforcement issues which resulted in a budget amendment increase of \$22,000 to cover these unanticipated costs.
- Township expenditures for building and zoning exceeded budgeted amounts requiring a budget amendment increase of \$75,000. This was due to a busier than anticipated building season.
- Total fund balances related to the Township's governmental funds decreased by \$415,049. This was due to a capital project (police building addition) which had been planned for several years.

**Using this Annual Report**

This discussion and analysis are intended to service as an introduction to Bath Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The statement of net assets and the statement of activities provide information about the activities of Bath Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Bath Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Bath Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bath Charter Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Improvements Fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary Funds.** Bath Charter Township maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. Bath Charter Township uses an Internal Service Fund to account for potential future employee sick and vacation payouts. Because the services provided by employees of the Township predominantly benefit governmental rather than business-type functions, the activities of the Internal Service Fund have been included within governmental activities in the government-wide financial statements.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-28 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.



Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

**The Township as a Whole**

The following table shows, in a condensed format, the net assets as of December 31, 2004. A comparative analysis of data will be presented in future years when the information is available.

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Government</u>
<b>Assets</b>			
Current assets	\$ 3,256,890	\$ 2,438,293	\$ 5,695,183
Noncurrent assets	<u>3,556,940</u>	<u>6,940,396</u>	<u>10,497,336</u>
Total assets	6,813,830	9,378,689	16,192,519
<b>Liabilities</b>			
Current liabilities	176,441	264,283	440,724
Noncurrent liabilities	<u>1,788,994</u>	<u>4,488,794</u>	<u>6,277,788</u>
Total liabilities	1,965,435	4,753,077	6,718,512
<b>Net Assets</b>			
Invested in capital assets, Net of related debt	2,697,275	3,841,637	6,538,912
Restricted	90,265	-	90,265
Unrestricted	<u>2,060,855</u>	<u>783,975</u>	<u>2,844,830</u>
Total net assets	<u>\$ 4,848,395</u>	<u>\$ 4,625,612</u>	<u>\$ 9,474,007</u>

Net assets may serve over time as a useful indicator of a government's financial position. Bath Charter Township's assets exceeded liabilities \$9,474,007 as of December 31, 2004. By far the most significant portion of the Township's net assets (69 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (approximately 1 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,844,830) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Township's net assets decreased by \$1,988,678 during the current year as discussed on the following page. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 488,552	\$ 1,373,936	\$ 1,862,488
Operating grants and contributions	2,257	36,170	38,427
Capital grants and contributions	45,887	-	45,887
General revenue:			
Property taxes	1,912,385	-	1,912,385
State shared revenue	565,648	-	565,648
Investment earnings	37,568	39,212	76,780
Equity interest in SCCMUA operations	-	41,761	41,761
Miscellaneous	<u>44,710</u>	<u>7,866</u>	<u>52,576</u>
Total revenue	3,097,007	1,498,945	4,595,952
<b>Program Expenses</b>			
General government	\$ 832,845	\$ -	\$ 832,845
Public safety	1,430,608	-	1,430,608
Public works	319,721	-	319,721
Recreation and cultural	46,346	-	46,346
Sewer system	-	3,904,535	3,904,535
Interest on long-term liabilities	<u>50,575</u>	<u>-</u>	<u>50,575</u>
Total program expenses	<u>2,680,095</u>	<u>3,904,535</u>	<u>6,584,630</u>
<b>Change in Net Assets</b>	<u>\$ 416,912</u>	<u>\$(2,405,590 )</u>	<u>\$(1,988,678 )</u>

**Governmental Activities**

Governmental activities increased the Township's net assets by \$416,912 during fiscal year 2004. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$3,097,007 with the greatest revenue source being property taxes. Property taxes make up approximately 61.75 percent of total governmental revenue. Over the past few years, state shared revenue has declined.

The Township incurred expenses of \$2,680,095 during the year. The majority of governmental expense is associated with the public safety function, which includes fire and police services.

**Business-type Activities**

Business-type activities decreased the Township's net assets by \$2,405,590 during fiscal year 2004. The decrease in net assets was due to the purchase of capacity at the Southern Clinton County Municipal Utilities Authority from Watertown Charter Township for \$2,900,000. This purchase of capacity increased Bath Charter Township's ownership in the joint venture Authority from approximately 13% to approximately 17%. The majority (54%) of the revenue of the business-type activities is generated through user charges.

**The Township's Funds**

**Governmental Funds.** The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Bath Charter Township as a whole. Bath Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental funds for the fiscal year ended December 31, 2004 were the General Fund and the Capital Improvements Fund.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$1,014,021 for the fiscal year. Public Safety services are partially supported by a police and fire millage, which is recorded in the General Fund.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System Fund and the Water System Fund at the end of the year amounted to \$719,219 and \$64,756, respectively. The changes in net assets for the Sewer System Fund and the Water System Fund for the fiscal year were (\$2,406,122) and \$532, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund, specifically in the Miscellaneous and Professional Services departments. The Building and Zoning fund was also amended upward to account for a greater than anticipated build year.

**Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the Township had approximately \$9,073,577 invested in a broad range of governmental capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Bath Charter Township. These assets are not reported in Bath Charter Township's fund statements because under Michigan law these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

As of December 31, 2004, the capital asset amount reflected above included \$666,700 of construction in progress, primarily related to the police building addition.

**Long-term Debt.** The Township issued \$2,980,000 in new debt during the fiscal year. This debt was used to finance the purchase of sewer treatment capacity at the Southern Clinton County Municipal Utilities Authority. By purchasing this capacity, Bath Charter Township increased its ownership in the joint venture Authority from approximately 13% to approximately 17%.

**Current Economic Factors**

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems and as they look for solutions revenue sharing continues to be under attack. Should the statutory component of Revenue Sharing be eliminated through State budget cuts, Bath Charter Township would experience a revenue loss of approximately \$40,000.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Superintendent or Treasurer at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

Bath Charter Township  
STATEMENT OF NET ASSETS

December 31, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,098,594	\$ 899,080	\$ 1,997,674
Investments	387,691	1,476,336	1,864,027
Receivables	839,004	38,702	877,706
Prepays	65,802	-	65,802
Internal balances	(5,284)	5,284	-0-
Due from fiduciary funds	871,083	18,891	889,974
Total current assets	3,256,890	2,438,293	5,695,183
Noncurrent assets			
Deferred charges	-	80,833	80,833
Investment in SCCMUA	-	1,342,926	1,342,926
Capital assets, net	3,556,940	5,516,637	9,073,577
Total noncurrent assets	3,556,940	6,940,396	10,497,336
TOTAL ASSETS	6,813,830	9,378,689	16,192,519
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	28,930	226	29,156
Accrued liabilities	18,911	-	18,911
Due to other governmental units	5,797	-	5,797
Accrued interest payable	8,179	34,057	42,236
Current portion of compensated absences	19,959	-	19,959
Current portion of long-term debt	94,665	230,000	324,665
Total current liabilities	176,441	264,283	440,724
Noncurrent liabilities			
Deferred revenue	964,117	63,794	1,027,911
Compensated absences	59,877	-	59,877
Noncurrent portion of long-term debt	765,000	4,425,000	5,190,000
Total noncurrent liabilities	1,788,994	4,488,794	6,277,788
TOTAL LIABILITIES	1,965,435	4,753,077	6,718,512
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,697,275	3,841,637	6,538,912
Restricted for:			
Debt service	2,028	-	2,028
Other purposes	88,237	-	88,237
Unrestricted	2,060,855	783,975	2,844,830
TOTAL NET ASSETS	\$ 4,848,395	\$ 4,625,612	\$ 9,474,007

See accompanying notes to financial statements.

Bath Charter Township  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 832,845	\$ 243,678	\$ -	\$ -	\$ (589,167)	\$ -	\$ (589,167)
Public safety	1,430,608	228,615	2,257	-	(1,199,736)	-	(1,199,736)
Public works	319,721	-	-	45,887	(273,834)	-	(273,834)
Recreation and cultural	46,346	16,259	-	-	(30,087)	-	(30,087)
Interest expense	50,575	-	-	-	(50,575)	-	(50,575)
Total governmental activities	2,680,095	488,552	2,257	45,887	(2,143,399)	-0-	(2,143,399)
Business-type activities:							
Sewer system	3,904,535	1,373,936	36,170	-	-	(2,494,429)	(2,494,429)
Water system	-	-	-	-	-	-0-	-0-
Total business-type activities	3,904,535	1,373,936	36,170	-0-	-0-	(2,494,429)	(2,494,429)
Total government	<u>\$ 6,584,630</u>	<u>\$ 1,862,488</u>	<u>\$ 38,427</u>	<u>\$ 45,887</u>	(2,143,399)	(2,494,429)	(4,637,828)
General revenues:							
Property taxes					1,912,385	-	1,912,385
State shared revenues					565,648	-	565,648
Investment earnings					37,568	39,212	76,780
Equity interest in SCCMUA operations					-	41,761	41,761
Miscellaneous					44,710	7,866	52,576
Total general revenues					2,560,311	88,839	2,649,150
Change in net assets					416,912	(2,405,590)	(1,988,678)
Net assets, beginning of the year					4,431,483	7,031,202	11,462,685
Net assets, end of the year					<u>\$ 4,848,395</u>	<u>\$ 4,625,612</u>	<u>\$ 9,474,007</u>

See accompanying notes to financial statements.

Bath Charter Township  
GOVERNMENTAL FUNDS BALANCE SHEET  
December 31, 2004

	General	Capital Improvement
ASSETS		
Cash and cash equivalents	\$ 552,754	\$ 121,435
Investments	387,691	-
Receivables		
Accounts	600	-
Taxes	806,095	-
Special assessments	9,185	-
Due from other funds	847,966	-
Prepays	65,802	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,670,093</u>	<u>\$ 121,435</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 12,661	\$ -
Accrued liabilities	18,911	-
Due to other governments	-	5,797
Due to other funds	5,284	-
Deferred revenue	1,752,006	-
	<hr/>	<hr/>
TOTAL LIABILITIES	1,788,862	5,797
FUND BALANCES		
Reserved for:		
Specific purposes	4,625	-
Debt service	-	-
Unreserved		
Designated for capital projects	-	115,638
Undesignated, reported in:		
General fund	876,606	-
Special revenue funds	-	-
	<hr/>	<hr/>
TOTAL FUND BALANCES	881,231	115,638
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,670,093</u>	<u>\$ 121,435</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 407,299	\$ 1,081,488
-	387,691
-	600
-	806,095
23,124	32,309
23,117	871,083
-	65,802
<u>\$ 453,540</u>	<u>\$ 3,245,068</u>

\$ 16,269	\$ 28,930
-	18,911
-	5,797
-	5,284
<u>50,515</u>	<u>1,802,521</u>

66,784 1,861,443

-	4,625
2,028	2,028
-	115,638
-	876,606
<u>384,728</u>	<u>384,728</u>
<u>386,756</u>	<u>1,383,625</u>
<u>\$ 453,540</u>	<u>\$ 3,245,068</u>



Bath Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2004

**Total fund balance - governmental funds** \$ 1,383,625

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,163,408	
Accumulated depreciation is	<u>(1,606,468)</u>	
Capital assets, net		3,556,940

Internal Service Funds are used by management to charge the costs  
of certain activities to individual funds. The assets and liabilities  
of the Internal Service Funds are included in the governmental activities  
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds		17,106
--	--	--------

Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Deferred revenue		838,404
------------------	--	---------

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Compensated absences	(79,836)	
Accrued interest payable	(8,179)	
Bonds and notes payable	<u>(859,665)</u>	
		<u>(947,680)</u>

<b>Net assets of governmental activities</b>		<b><u><u>\$ 4,848,395</u></u></b>
--	--	-----------------------------------

See accompanying notes to financial statements.

## Bath Charter Township

## Governmental Funds

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	General	Capital Improvements
REVENUES		
Taxes	\$ 1,721,830	\$ -
Licenses and permits	28,006	-
Intergovernmental	569,538	-
Charges for services	90,031	-
Fines and forfeits	-	-
Interest and rents	59,166	4,319
Other	42,805	-
	<hr/>	<hr/>
TOTAL REVENUES	2,511,376	4,319
EXPENDITURES		
General government	744,027	-
Public safety	1,014,021	-
Public works	272,431	-
Recreation and cultural	42,938	-
Debt service	67,812	-
Capital outlay	-	685,185
	<hr/>	<hr/>
TOTAL EXPENDITURES	2,141,229	685,185
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	370,147	(680,866)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	700,000
Operating transfers out	(775,455)	-
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(775,455)	700,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(405,308)	19,134
Fund balances, beginning of year	1,286,539	96,504
	<hr/>	<hr/>
Fund balances, end of year	\$ 881,231	\$ 115,638
	<hr/>	<hr/>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,721,830
207,149	235,155
2,257	571,795
30,289	120,320
3,484	3,484
11,901	75,386
47,792	90,597
302,872	2,818,567
7,895	751,922
288,027	1,302,048
35,825	308,256
-	42,938
75,455	143,267
-	685,185
407,202	3,233,616
(104,330)	(415,049)
75,455	775,455
-	(775,455)
75,455	-0-
(28,875)	(415,049)
415,631	1,798,674
\$ 386,756	\$ 1,383,625

Bath Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

**Net change in fund balances - total governmental funds** \$ (415,049)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 626,827	
Depreciation	<u>(162,095)</u>	
Excess of capital outlay over depreciation expense		464,732

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	278,440
--	---------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	91,666
---------------------------	--------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,026	
(Increase) in accrued compensated absences	<u>(3,903)</u>	
		<u>(2,877)</u>

<b>Change in net assets of governmental activities</b>	<b>\$ 416,912</b>
--	-------------------

See accompanying notes to financial statements.

## Bath Charter Township

## Proprietary Funds

## STATEMENT OF NET ASSETS

December 31, 2004

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 834,324	\$ 64,756	\$ 899,080	\$ 17,106
Investments	1,476,336	-	1,476,336	-
Receivables				
Accounts	33,475	-	33,475	-
Special assessments	5,227	-	5,227	-
Due from other funds	24,175	-	24,175	-
Total current assets	2,373,537	64,756	2,438,293	17,106
Noncurrent assets				
Deferred charges	80,833	-	80,833	-
Investment in SCCMUA	1,342,926	-	1,342,926	-
Capital assets, net	5,516,637	-	5,516,637	-
Total noncurrent assets	6,940,396	-0-	6,940,396	-0-
<b>TOTAL ASSETS</b>	<b>9,313,933</b>	<b>64,756</b>	<b>9,378,689</b>	<b>17,106</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	226	-	226	-
Accrued interest payable	34,057	-	34,057	-
Current portion of long-term debt	230,000	-	230,000	-
Total current liabilities	264,283	-0-	264,283	-0-
Noncurrent liabilities				
Deferred revenue	63,794	-	63,794	-
Bonds payable	4,425,000	-	4,425,000	-
Total noncurrent liabilities	4,488,794	-0-	4,488,794	-0-
<b>TOTAL LIABILITIES</b>	<b>4,753,077</b>	<b>-0-</b>	<b>4,753,077</b>	<b>-0-</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related deb	3,841,637	-	3,841,637	-
Unrestricted	719,219	64,756	783,975	17,106
<b>TOTAL NET ASSETS</b>	<b>\$ 4,560,856</b>	<b>\$ 64,756</b>	<b>\$ 4,625,612</b>	<b>\$ 17,106</b>

See accompanying notes to financial statements.

## Bath Charter Township

## Proprietary Funds

## STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2004

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
OPERATING REVENUES				
Charges for services	\$ 811,373	\$ -	\$ 811,373	\$ -
OPERATING EXPENSES				
Contractual service	622,982	-	622,982	-
Administrative expense	20,000	-	20,000	-
Supplies	749	-	749	-
Other	4,964	-	4,964	-
Depreciation	181,118	-	181,118	-
TOTAL OPERATING EXPENSES	829,813	-0-	829,813	-0-
OPERATING LOSS	(18,440)	-0-	(18,440)	-0-
NONOPERATING REVENUES (EXPENSES)				
Equity interest in 2004 SCCMUA operations	41,761	-	41,761	-
Tap in fees	562,563	-	562,563	-
Special assessments	36,170	-	36,170	-
Interest revenue	38,680	532	39,212	-
Paying agent fees	(788)	-	(788)	-
Purchase of capacity	(2,900,000)	-	(2,900,000)	-
Interest expense	(169,892)	-	(169,892)	-
Amortization of bond issuance costs	(4,042)	-	(4,042)	-
Other	7,866	-	7,866	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,387,682)	532	(2,387,150)	-0-
CHANGE IN NET ASSETS	(2,406,122)	532	(2,405,590)	-0-
Net assets, beginning of year	6,966,978	64,224	7,031,202	17,106
Net assets, end of year	\$ 4,560,856	\$ 64,756	\$ 4,625,612	\$ 17,106

See accompanying notes to financial statements.

## Bath Charter Township

## Proprietary Funds

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Business-type Activities			Governmental Activities
		Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
	Sewer System			
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 792,360	\$ -	\$ 792,360	\$ -
Cash received from other funds	6,232	-	6,232	-
Cash paid to suppliers	(712,985)	-	(712,985)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	85,607	-0-	85,607	-0-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tap in fees	562,563	-	562,563	-
Paying agent fees	(788)	-	(788)	-
Other	7,866	-	7,866	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	569,641	-0-	569,641	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Special assessments	36,170	-	36,170	-
Interest expense	(169,892)	-	(169,892)	-
Capital acquisitions	(3,005,860)	-	(3,005,860)	-
Amortization of bond issuance costs	(4,042)	-	(4,042)	-
Bond proceeds	2,980,000	-	2,980,000	-
Payments on borrowings	(125,000)	-	(125,000)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(288,624)	-0-	(288,624)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	38,680	532	39,212	-
Maturities of investments	246,262	-	246,262	-
Purchases of investments	(1,476,336)	-	(1,476,336)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,191,394)	532	(1,190,862)	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(824,770)	532	(824,238)	-0-
Cash and cash equivalents, beginning of year	1,659,094	64,224	1,723,318	17,106
Cash and cash equivalents, end of year	\$ 834,324	\$ 64,756	\$ 899,080	\$ 17,106

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2004

	Business-type Activities			Governmental Activities
	Nonmajor Enterprise Fund			Internal Service Fund
	Sewer System	(Water System)	Total	(Employee Sick and Vacation)
Reconciliation of operating loss to net cash provided by operating activities				
Operating loss	\$ (18,440)	\$ -	\$ (18,440)	\$ -
Adjustments to reconcile operating loss to net cash provided by operating activities				
Depreciation	181,118	-	181,118	-
(Increase) in accounts receivable	(853)	-	(853)	-
Decrease in assessments receivable	740	-	740	-
Decrease in due from other funds	6,232	-	6,232	-
(Increase) in deferred charges	(80,833)	-	(80,833)	-
(Decrease) in accounts payable	(2,094)	-	(2,094)	-
Increase in accrued interest payable	18,637	-	18,637	-
(Decrease) in deferred revenue	(18,900)	-	(18,900)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 85,607</u>	<u>-0-</u>	<u>\$ 85,607</u>	<u>-0-</u>

Note: The Township also adjusted its equity interest in 2004 Southern Clinton County Municipal Utilities Authority operations in the Sewer Fund for \$41,761, to reflect the current year activity at SCCMUA.

See accompanying notes to financial statements.



Bath Charter Township  
Fiduciary Funds  
STATEMENT OF NET ASSETS  
December 31, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u><u>\$ 3,088,047</u></u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 14,124
County	658,214
Schools	1,440,970
Due to other funds	
General	847,966
Sewer System	18,891
Street Lighting	23,117
Due to individuals and agencies	46,150
Due to developers	<u>38,615</u>
TOTAL LIABILITIES	<u><u>\$ 3,088,047</u></u>

See accompanying notes to financial statements.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bath Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including general government, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Bath Charter Township (primary government) and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. The Township does not have any discretely presented component units.

BLENDING COMPONENT UNIT

- a. Building Authority - The Building Authority is governed by a five (5) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of certain public buildings for the use of the Township.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Bath Charter Township contain all the funds controlled by the Township Board.

2. Joint Venture

Bath Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. Bath Charter Township currently is represented by two (2) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority.

The members of the Authority and approximate percentage of responsibility are as follows:

Bath Charter Township	17%
DeWitt Charter Township	56%
City of DeWitt	11%
Watertown Township	16%

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Joint Venture - continued

For the year ended December 31, 2004, Bath Charter Township contributed \$612,484 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2004, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. Bath Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 1999.

3. Related Organizations

The Township participates in the following activity which is considered to be a related organization in relation to the Township due to the Township appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility.

Bath Charter Township Housing Commission - The Township appoints all of the five (5) Commission members. The Township does not have an ongoing day-to-day financial interest or responsibility for the Commission. The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

*Statement on Michigan Governmental Accounting and Auditing No. 5* allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the Township's notes to the financial statements only instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2003. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2003, the Commission had total assets of \$1,245,346; total liabilities of \$74,577, contributed capital of \$1,413,403 and total retained earnings of (\$242,634). For the year ended December 31, 2003, the Commission had total operating revenues of \$62,248; total operating expenses of \$337,854; and a net decrease in retained earnings of \$29,105 after prior period adjustments.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Capital Improvements Fund is used to account for the financial resources related to capital acquisitions.
- c. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to September 1, the Superintendent submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services.

10. Property Tax

Bath Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2004 tax is levied and collectible on December 1, 2004, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$5 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2004, the Township levied 4.0626 mills for general governmental services and 3.0000 mills for police and fire services. The total taxable value for the 2003 levy for property within the Township was \$221,695,518.

11. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2004 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

13. Capital Assets

Capital assets include buildings, equipment, vehicles, and sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED****13. Capital Assets - continued**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years

**14. Long-Term Obligations**

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**15. Deferred Revenue**

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2004, but which are levied to finance year 2005 operations and sewer tap-in fees the Township received for services it has not yet provided. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements report deferred revenues that are unavailable to liquidate liabilities of the current period.

**16. Comparative Data**

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**17. Accounting Change**

As of January 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. A reconciliation is presented between the fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$4,740,520, which were previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's capital assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

17. Accounting Change - continued

- Long-term obligations reported on the statement of net assets include obligations of \$1,027,264, which were previously reported in the General Long-term Debt Account Group.
- The governmental fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.



Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Deposits

As of December 31, 2004, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 980,303	\$ 973,766
Savings	1,597,347	1,330,641
Certificates of Deposit	<u>1,015,551</u>	<u>1,015,551</u>
	3,593,201	3,319,958
FIDUCIARY FUNDS		
Checking	3,062,490	2,248,753
Savings	<u>25,557</u>	<u>25,557</u>
	<u>3,088,047</u>	<u>2,274,310</u>
	<u>\$ 6,681,248</u>	<u>\$ 5,594,268</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2004, the Township accounts were insured by the FDIC for \$428,980, and the amount of \$5,165,288 was uninsured and uncollateralized.

Investments

As of December 31, 2004, the carrying amounts and market values for the investment are as follows:

<u>Investment Type</u>	<u>Primary Government</u>
Uncategorized pooled investment funds	<u>\$ 268,300</u>

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2004:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$ 1,997,674	\$ 3,088,047
Investments	<u>1,864,027</u>	<u>-</u>
	<u>\$ 3,861,701</u>	<u>\$ 3,088,047</u>

The cash and cash equivalents captions in the basic financial statements include \$200 in petty cash.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2004, are as follows:

Due to General fund from:	
Fiduciary funds	\$ 847,966
Due to Sewer System fund from:	
General fund	5,284
Fiduciary funds	<u>18,891</u>
	24,175
Due to nonmajor governmental funds from:	
Fiduciary funds	<u>23,117</u>
	<u>\$ 895,258</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to Capital Improvements fund from:	
General fund	<u>\$ 700,000</u>
Transfers to nonmajor governmental funds from:	
General fund	<u>\$ 75,455</u>

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

**Governmental activities**

	Restated Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2004</u>
Capital assets not being depreciated:				
Land	\$ 1,070,570	\$ -	\$ -	\$ 1,070,570
Construction in progress	<u>-</u>	<u>560,840</u>	<u>-</u>	<u>560,840</u>
Total capital assets not being depreciated	1,070,570	560,840	-0-	1,631,410

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Governmental activities - continued**

	Restated Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Capital assets being depreciated:				
Land improvements	\$ 597,975	\$ -	\$ -	\$ 597,975
Buildings and improvements	1,512,523	-	-	1,512,523
Machinery and equipment	118,935	-	-	118,935
Vehicles	1,196,578	-	-	1,196,578
Office equipment and furniture	<u>40,000</u>	<u>65,987</u>	<u>-</u>	<u>105,987</u>
Total capital assets being depreciated	3,466,011	65,987	-0-	3,531,998
Less accumulated depreciation for:				
Land improvements	( 263,630 )	( 29,899 )	-	( 293,529 )
Buildings and improvements	( 317,576 )	( 31,024 )	-	( 348,600 )
Machinery and equipment	( 75,630 )	( 5,350 )	-	( 80,980 )
Vehicles	( 760,737 )	( 89,222 )	-	( 849,959 )
Office equipment and furniture	<u>( 26,800 )</u>	<u>( 6,600 )</u>	<u>-</u>	<u>( 33,400 )</u>
Total accumulated depreciation	<u>( 1,444,373 )</u>	<u>( 162,095 )</u>	<u>-0-</u>	<u>( 1,606,468 )</u>
Net capital assets being depreciated	<u>2,021,638</u>	<u>( 96,108 )</u>	<u>-0-</u>	<u>1,925,530</u>
Net capital assets - governmental activities	<u>\$ 3,092,208</u>	<u>\$ 464,732</u>	<u>\$ -0-</u>	<u>\$ 3,556,940</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 21,530
Public safety	127,299
Public works	9,858
Recreation and cultural	<u>3,408</u>
Total depreciation expense	<u>\$ 162,095</u>

**Business-type activities**

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 105,860	\$ -	\$ 105,860
Capital assets being depreciated:				
Sewer system	8,515,869	-	-	8,515,869
Equipment	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
Total capital assets being depreciated	8,569,869	-0-	-0-	8,569,869

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Business-type activities - continued**

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Less accumulated depreciation for:				
Sewer system	\$( 2,967,174 )	\$( 170,318 )	\$ -	\$( 3,137,492 )
Equipment	( 10,800 )	( 10,800 )	-	( 21,600 )
Total accumulated depreciation	( 2,977,974 )	( 181,118 )	-0-	( 3,159,092 )
Net capital assets being depreciated	5,591,895	( 181,118 )	-0-	5,410,777
Net capital assets - business-type activities	\$ 5,591,895	\$( 75,258 )	\$ -0-	\$ 5,516,637

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2004:

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004	Amounts Due Within One Year
Governmental Activities					
2000 Building Authority Bonds	\$ 825,000	\$ -	\$ 30,000	\$ 795,000	\$ 30,000
Installment loan payable	126,331	-	61,666	64,665	64,665
Accumulated Sick and Vacation	75,933	3,903	-	79,836	19,959
	1,027,264	3,903	91,666	939,501	114,624
Business-type Activities					
1973 Revenue Bonds	1,275,000	-	100,000	1,175,000	100,000
2001 Sanitary Sewer Bonds	525,000	-	25,000	500,000	25,000
2004A Sewer Bonds	-	2,980,000	-	2,980,000	105,000
	1,800,000	2,980,000	125,000	4,655,000	230,000
	\$ 2,827,264	\$ 2,983,903	\$ 216,666	\$ 5,594,501	\$ 344,624

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$900,000 Building Authority Bonds, Series 2000, dated August 1, 2000, due in annual installments ranging from \$30,000 to \$75,000 through May 1, 2020, with interest ranging from 5.5 to 5.8 percent, payable semi-annually. \$ 795,000

\$339,060 Installment Purchase Agreement, due in annual installments of \$64,665 through September 24, 2005, with interest of 4.865 percent, payable annually. 64,665

\$3,550,000 Clinton County Sanitary Sewer Disposal System No. 4 Bonds dated November 1, 1973, due in annual installments ranging from \$100,000 to \$175,000 through November 1, 2013, with interest ranging from 4.00 to 5.75 percent, payable semi-annually. 1,175,000

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE F: LONG-TERM DEBT - CONTINUED**

\$600,000 Clinton County Sanitary Sewer Project Bonds, Series 2001, dated January 1, 2001, due in annual installments ranging from \$25,000 to \$45,000 through November 1, 2019, with interest ranging from 4.5 to 5.20 percent, payable semi-annually. \$ 500,000

\$2,980,000 Bath Township Capital Improvement Bonds, Series 2004A, dated May 19, 2004, due in annual installments ranging from \$105,000 to \$215,000 through November 1, 2024, with interest ranging from 2.0 to 4.6 percent, payable semi-annually. 2,980,000

\$ 5,514,665

Year Ending December 31,	2000 Building Authority Bonds		Installment Purchase Agreement		Clinton County Sanitary Sewage Project Series 2001 Bonds		Clinton County Sanitary Sewage Disposal System No. 4 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 30,000	\$ 43,530	\$ 64,665	\$ 3,147	\$ 25,000	\$ 23,482	\$ 100,000	\$ 61,700
2006	30,000	41,880	-	-	25,000	22,358	125,000	56,000
2007	35,000	40,093	-	-	30,000	21,120	125,000	48,875
2008	35,000	38,168	-	-	30,000	19,770	125,000	41,750
2009	35,000	36,243	-	-	155,000	78,270	700,000	102,125
2010-2014	235,000	146,013	-	-	190,000	36,643	-	-
2015-2019	320,000	69,323	-	-	45,000	1,170	-	-
2020-2024	<u>75,000</u>	<u>2,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 795,000</u>	<u>\$ 417,423</u>	<u>\$ 64,665</u>	<u>\$ 3,147</u>	<u>\$ 500,000</u>	<u>\$ 202,813</u>	<u>\$ 1,175,000</u>	<u>\$ 310,450</u>

Year Ending December 31,	Bath Township Capital Improvement Bonds Sewer System Project Series 2004A		Total	
	Principal	Interest	Principal	Interest
2005	\$ 105,000	\$ 118,595	\$ 324,665	\$ 250,454
2006	105,000	116,495	285,000	236,733
2007	110,000	114,395	300,000	224,483
2008	110,000	111,645	300,000	211,333
2009	115,000	108,345	1,005,000	324,983
2010-2014	650,000	476,375	1,075,000	659,030
2015-2019	795,000	332,728	1,160,000	403,221
2020-2024	<u>990,000</u>	<u>139,370</u>	<u>1,065,000</u>	<u>141,545</u>
	<u>\$ 2,980,000</u>	<u>\$ 1,517,948</u>	<u>\$ 5,514,665</u>	<u>\$ 2,451,780</u>

Accrued Sick and Vacation

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$79,836 at December 31, 2004. The amounts of \$19,959 and \$59,877 have been reported as current and noncurrent liabilities, respectively.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2004, the Township incurred expenditures in the General Fund and Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Operating transfer out	\$ 775,180	\$ 775,455	\$ 275
Special Revenue Fund			
Building and Zoning Fund			
Public safety	280,500	289,022	8,522

**NOTE H: RETIREMENT PLAN**

**TOWNSHIP GENERAL**

The Township participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires no contribution from the employees. The Township is required to provide amounts necessary to fund the system.

Annual Pension Cost

For year ended December 31, 2004, the Township's annual pension cost of \$85,831 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation as of December 31, 2002, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and promotional salary increases and the assumption that benefits will increase 2.5% annually for persons under Benefit E-1 or E-2. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 32 years.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE H: RETIREMENT PLAN - CONTINUED**

<u>Three (3) year trend information</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 1,398,610	\$ 1,505,749	\$ 1,716,103
Actuarial Accrued Liability (entry age)	1,452,587	1,646,106	2,113,063
Unfunded (overfunded) AAL	53,977	140,357	396,960
Funded ratio	96 %	92 %	81 %
Covered payroll	534,547	665,422	857,224
UAAL as a percentage of covered payroll	10 %	21 %	46.3 %
Annual pension cost	52,914	63,886	85,831
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

**BOARD MEMBERS**

Plan Description

Bath Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of the Board Members for the Township. The Bath Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2004, Bath Charter Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed three (3) months of services. The eligibility computation period is in the three (3) month period that begins with the date hired.

**NOTE I: RISK MANAGEMENT**

The Township carries commercial insurance for the risk of loss due to workers' compensation claims.

The Township is exposed to various risks of loss for liability, property, automobile, boiler, and employer's liability for which the Township carries commercial insurance.

**NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2004:

General Fund	
Reserved for lake weed control	\$ 4,625
Debt Service Fund	
Reserved for debt service	<u>2,028</u>
Total Reporting Entity	<u>\$ 6,653</u>

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

The following are the fund balance designations as of December 31, 2004:

Capital Improvement Fund	
Designated for capital projects	<u>\$ 115,638</u>

**NOTE K: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2004:

Governmental activities	
Restricted for	
Debt service	<u>\$ 2,028</u>
Other purposes	
Building and zoning	\$ 68,315
Public safety	<u>19,922</u>
	<u>\$ 88,237</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

## Bath Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes				
General	\$ 894,704	\$ 894,704	\$ 901,015	\$ 6,311
Police and fire	664,384	664,384	665,346	962
Other	45,000	45,000	63,972	18,972
Payments in lieu of taxes	-	-	597	597
Trailer taxes	15,000	15,000	3,014	(11,986)
Tax collection fees	74,000	74,000	87,886	13,886
Total taxes	1,693,088	1,693,088	1,721,830	28,742
Licenses and permits				
Franchise fees	27,500	27,500	28,006	506
Intergovernmental				
State shared revenue	617,548	617,548	565,648	(51,900)
Liquor licenses	3,200	3,200	3,890	690
Total intergovernmental	620,748	620,748	569,538	(51,210)
Charges for services				
Administration fees	20,000	20,000	20,015	15
Court fees	30,000	30,000	50,264	20,264
Park and recreation fees	4,000	4,000	16,259	12,259
Fire report fees	400	400	9	(391)
Police fees	1,300	1,300	2,656	1,356
Other	6,000	6,000	828	(5,172)
Total charges for services	61,700	61,700	90,031	28,331
Interest and rents				
Interest - regular	10,000	10,000	16,489	6,489
Interest - tax collections	10,000	10,000	4,859	(5,141)
Rental fees	25,000	25,000	37,818	12,818
Total interest and rents	45,000	45,000	59,166	14,166
Other				
Refunds and rebates	1,000	1,000	21,003	20,003
Reimbursements	6,200	6,200	19,247	13,047
Other revenue	24,200	24,200	2,555	(21,645)
Total other	31,400	31,400	42,805	11,405
TOTAL REVENUES	2,479,436	2,479,436	2,511,376	31,940

## Bath Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Township board	\$ 231,700	\$ 231,700	\$ 178,020	\$ 53,680
Supervisor	17,750	17,750	11,995	5,755
Superintendent	93,250	93,250	82,814	10,436
Elections	11,600	14,400	13,452	948
Assessor	80,280	80,280	64,502	15,778
Clerk	118,912	118,912	104,868	14,044
Board of Review	1,718	1,718	981	737
Treasurer	124,080	124,080	107,730	16,350
Building and grounds	86,600	86,600	78,007	8,593
Senior center	27,740	27,740	20,060	7,680
Other	94,700	96,700	81,598	15,102
Total general government	888,330	893,130	744,027	149,103
Public safety				
Police department	852,534	860,534	848,559	11,975
Fire department	188,992	188,992	165,462	23,530
Total public safety	1,041,526	1,049,526	1,014,021	35,505
Public works				
Department of public works	297,200	297,200	272,431	24,769
Recreation and cultural				
Parks and recreation	55,800	55,800	42,938	12,862
Debt service				
Principal	61,666	61,666	61,666	-0-
Interest	6,146	6,146	6,146	-0-
Total debt service	67,812	67,812	67,812	-0-
Capital outlay	35,500	35,500	-	35,500
TOTAL EXPENDITURES	2,386,168	2,398,968	2,141,229	257,739
EXCESS OF REVENUES OVER EXPENDITURES	93,268	80,468	370,147	289,679
OTHER FINANCING (USES)				
Operating transfers out	(75,180)	(775,180)	(775,455)	(275)

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 18,088	\$ (694,712)	\$ (405,308)	\$ 289,404
Fund balances, beginning of year	<u>1,286,539</u>	<u>1,286,539</u>	<u>1,286,539</u>	<u>-0-</u>
Fund balances, end of year	<u>\$ 1,304,627</u>	<u>\$ 591,827</u>	<u>\$ 881,231</u>	<u>\$ 289,404</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Bath Charter Township  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
December 31, 2004

	Special		
	Police Training	Street Lighting	Drug Forfeiture
ASSETS			
Cash and cash equivalents	\$ 2,551	\$ 40,294	\$ 20,440
Special assessments receivable	-	23,124	-
Due from other funds	-	23,117	-
TOTAL ASSETS	<u>\$ 2,551</u>	<u>\$ 86,535</u>	<u>\$ 20,440</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 518
Deferred revenue	-	50,515	-
TOTAL LIABILITIES	-0-	50,515	518
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved - undesignated	2,551	36,020	19,922
TOTAL FUND BALANCES	<u>2,551</u>	<u>36,020</u>	<u>19,922</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,551</u>	<u>\$ 86,535</u>	<u>\$ 20,440</u>

Revenue			Debt Service	Total Nonmajor Governmental Funds
Cemetery	Building and Zoning	Budget Stabilization	Debt Service	
\$ 73,366	\$ 93,662	\$ 174,958	\$ 2,028	\$ 407,299
-	-	-	-	23,124
-	-	-	-	23,117
<u>\$ 73,366</u>	<u>\$ 93,662</u>	<u>\$ 174,958</u>	<u>\$ 2,028</u>	<u>\$ 453,540</u>
\$ -	\$ 15,751	\$ -	\$ -	\$ 16,269
-	-	-	-	50,515
-0-	15,751	-0-	-0-	66,784
-	-	-	2,028	2,028
73,366	77,911	174,958	-	384,728
73,366	77,911	174,958	2,028	386,756
<u>\$ 73,366</u>	<u>\$ 93,662</u>	<u>\$ 174,958</u>	<u>\$ 2,028</u>	<u>\$ 453,540</u>

Bath Charter Township

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Special		
	Police Training	Street Lighting	Drug Forfeiture
REVENUES			
Intergovernmental - State	\$ 2,257	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeits	-	-	3,484
Charges for services	-	-	-
Interest	72	-	520
Special assessments	-	45,888	-
Other	-	-	1,861
TOTAL REVENUES	2,329	45,888	5,865
EXPENDITURES			
Current			
General government	-	-	-
Public safety	1,315	-	7,286
Public works	-	35,825	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,315	35,825	7,286
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,014	10,063	(1,421)
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	1,014	10,063	(1,421)
Fund balance, beginning of year	1,537	25,957	21,343
Fund balance, end of year	\$ 2,551	\$ 36,020	\$ 19,922



Revenue			Debt Service	Total Nonmajor Governmental Funds
Cemetery	Building and Zoning	Budget Stabilization	Debt Service	
\$ -	\$ -	\$ -	\$ -	\$ 2,257
-	207,149	-	-	207,149
-	-	-	-	3,484
18,861	11,428	-	-	30,289
2,517	2,747	6,030	15	11,901
-	-	-	-	45,888
-	43	-	-	1,904
21,378	221,367	6,030	15	302,872
7,895	-	-	-	7,895
-	279,426	-	-	288,027
-	-	-	-	35,825
-	-	-	75,455	75,455
7,895	279,426	-0-	75,455	407,202
13,483	(58,059)	6,030	(75,440)	(104,330)
-	-	-	75,455	75,455
13,483	(58,059)	6,030	15	(28,875)
59,883	135,970	168,928	2,013	415,631
<u>\$ 73,366</u>	<u>\$ 77,911</u>	<u>\$ 174,958</u>	<u>\$ 2,028</u>	<u>\$ 386,756</u>

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2004

	Current Tax Collections	Trust and Agency	Detective Bureau	Total
ASSETS				
Cash and cash equivalents	<u>\$ 3,045,118</u>	<u>\$ 42,928</u>	<u>\$ 1</u>	<u>\$ 3,088,047</u>
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 14,124	\$ -	\$ -	\$ 14,124
County	656,280	1,933	1	658,214
Schools	1,440,970	-	-	1,440,970
Due to other funds				
General	847,953	13	-	847,966
Sewer System	16,814	2,077	-	18,891
Street Lighting	23,117	-	-	23,117
Due to individuals and agencies	45,860	290	-	46,150
Due to developers	<u>-</u>	<u>38,615</u>	<u>-</u>	<u>38,615</u>
TOTAL LIABILITIES	<u>\$ 3,045,118</u>	<u>\$ 42,928</u>	<u>\$ 1</u>	<u>\$ 3,088,047</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Board of Trustees  
Bath Charter Township  
Bath, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Bath Charter Township for the year ended December 31, 2004. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the Township's internal controls and our discussions with management.

1. Records detailing authorized rates of pay should be retained for audit purposes.

During our analysis of the Township's payroll process, we noted that the Township did not maintain records supporting authorized rates of pay for employees.

We suggest that the Township maintain written records of authorized pay rates for employees and retain those records in the personnel files.

2. The Township should identify significant differences between the general ledger cash balances and the adjusted balance of the pooled general bank account.

During our analysis of the Township's general ledger cash balances, we noted that the Township's monthly bank reconciliations included significant unidentified differences between the adjusted bank balance and the combined total of general ledger cash line items.

We suggest the Township review the significant differences noted and identify as much of the unreconciled difference as possible to ensure the accuracy of the general ledger system.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated February 25, 2005.

This report is intended solely for the use of management and the Board of Trustees of Bath Charter Township and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 25, 2005